



New York State and Local Retirement Systems
Governor Smith State Office Building
Albany New York 12244-0001

Loan Information for Tier 3 and 4 Members

RS 5025-I

(Rev. 10/01)



CALL
(518) 474-7736
It's easy!

Use a touch tone phone with your Social Security number and birth date and you can find out:

- Your current balance
- If you are eligible for a loan
- How much you can borrow
- Your loan repayment amount
- The answer to most loan questions

Loan Application Requirements

- You must have a minimum of one full year of service credit and be on the payroll of the State or a participating employer. If you are on an unpaid leave of absence you are not eligible to borrow.
- You may borrow only once in a twelve month period.
- Loans may be made for up to seventy-five percent of your retirement contributions, but must be for at least \$1,000. If your current contribution balance including interest does not total at least \$1,334, you are not yet eligible for a loan.
- All loans are subject to a service charge which **will be deducted from the loan at the time it is issued**. The amount of this charge is set annually by the Comptroller. As of the date of printing the service charge is \$15.00. To confirm the current service charge, please call the loan information line at 518-474-7736. **Do not send a check or money order to cover the service charge.**

Loan Repayments

- Loan repayments will be withheld from your paycheck. Loans must be repaid in equal installments in an amount sufficient to repay the loan, insurance premiums, and interest on the unpaid balance within a five year period. **Payments may not be less than two percent of your salary.** Loan repayment deductions will be in even dollar amounts. See the table below to determine the approximate amount of **bi-weekly** loan repayment amounts. Loans may be prepaid at any time with no prepayment penalties. You are responsible for making payments directly to the Retirement System if you leave the payroll for any reason.
- Your outstanding loan balance will be shown on your annual Member Statement as of March 31st of each year.

LOAN AMOUNT					
SALARY	\$1,000	\$3,000	\$5,000	\$7,500	\$10,000
	(Minimum bi-weekly loan repayment amounts)				
\$10,000	\$10	\$29	\$48	\$72	\$96
15,000	12	29	48	72	96
20,000	16	29	48	72	96
25,000	20	29	48	72	96
30,000	24	29	48	72	96
40,000	31	31	48	72	96
50,000	39	39	48	72	96
60,000	47	47	48	72	96
70,000	54	54	54	72	96
80,000	62	62	62	72	96

If you take a loan from this System and default on payment, retire with an outstanding loan balance or take a loan which exceeds the taxable limits, there may be significant tax consequences. Listed below is important federal tax information.

- If the loan you take results in your outstanding balance being more than \$50,000, any amount over \$50,000 will be reported to the IRS as ordinary income for the current year.
- If the loan you take results in your outstanding balance being more than the greater of (a) \$10,000 or (b) 50% of the present value of your accrued non-forfeitable benefit, the amount over that figure will be reported to the IRS as ordinary income for the current year. If you are not vested, the present value of your accrued non-forfeitable benefit is equal to the amount on deposit in your account. If you are vested, the present value of your accrued non-forfeitable benefit is an actuarially determined amount.
- If you do not make payments on your loan at least once every three months, or do not complete payment within five years of the date the loan is issued, the entire amount due on your loan at the time you stop making payments, or at the end of the five years, whichever comes first, will be reportable to the IRS as ordinary income. If you go off the payroll, or your payments stop prematurely, contact the loan unit at (518) 474-4608 to make arrangements to repay the loan directly.
- The Retirement System will calculate the taxable amount of the loan at the time any reporting takes place, and will provide you with a form 1099-R which will assist you in preparing your income tax return.
- If you are under age 59 1/2 at the time any part of your loan becomes reportable, you may be subject to an additional 10% penalty tax. The Federal Internal Revenue Code imposes this penalty tax on amounts which are deemed to be a distribution prior to the member's actual retirement.
- If your loan is reported to the IRS, the principal portion of any subsequent payment you make, up to the amount reported as taxable, will be recovered during retirement.

Interest Rates

Interest rates will be determined at the beginning of each fiscal year for loans taken during the fiscal year. The rate will be one percent less than the rate used by the Retirement System in its annual actuarial valuation. The rate in effect at the time a loan is made will remain constant for the length of the loan. As of the date of printing, the loan interest rate is 7.00%. To confirm the current interest rate, please call the loan information line at 518-474-7736.

Loan Insurance Premiums

The unpaid balance of a loan is fully insured if you die more than thirty days after a loan is issued (but prior to retirement). However, there are no provisions if you become disabled or leave the payroll. The loan insurance premium is included in your scheduled repayment. The current annual rates for loan insurance are:

Ages	Under 40	40-49	50 or older
Rates	.00096	.00192	.00396